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TAGS: [EINV](#) [EFIN](#) [ECON](#) [EAGR](#) [QA](#)
SUBJECT: QATAR INVESTMENT AUTHORITY, PART THREE: FUTURE
PLANS AND VIEWS ON SWF GUIDELINES

REF: A. DOHA 521
[1](#)B. DOHA 518
[1](#)C. DOHA 422
[1](#)D. 2007 DOHA 964

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Classified By: CDA Michael A. Ratney for reasons 1.4 (b) and (d).

[1](#)1. (SBU) Summary: With plans on track for Qatar's natural gas production to double over the next few years, the Qatar Investment Authority (QIA) should have no shortage of fresh capital to invest. Beyond finding profitable investments to secure the long-term welfare of its people, the GOQ wants the fund to help develop and diversify Qatar's economy for long-term growth. With the upturn in global food prices, the GOQ is also directing the QIA to invest in agriculture projects and secure food supplies. The fund's senior leadership remains skeptical of IMF-proposed and U.S.-backed Sovereign Wealth Fund (SWF) guidelines but is willing to engage U.S. officials and others to assuage fears of the fund's investments. This report is the third and final in a series examining the QIA, and is assembled from Emboffs' meetings with various QIA employees over the past year, and information gathered from other contacts and press reporting.
End Summary.

Future Plans

[1](#)2. (SBU) The QIA today cannot be seen apart from the GOQ's desire to develop and diversify Qatar's economy away from reliance on hydrocarbon exports. In particular, the GOQ wants the fund to help smooth revenues and expenditures in case of a future oil or gas price drop. The Amir, Prime Minister/Foreign Minister and QIA CEO Hamad Bin Jassim Al Thani (HBJ), and the government's other senior financial leaders want to see Doha become a major international financial center. The country has taken several significant steps in this direction. The Qatar Financial Center (QFC) was established in 2005 as a "free zone" for financial services and now has 80 registered firms. The local banking sector continues to expand rapidly on the back of Qatar's booming economy. Finally, the Doha Stock Market (DSM), established in 1997 to help privatize Qatari state industry, continues to grow while the GOQ moots privatizing the

exchange itself. (Note: NYSE Euronext recently agreed to take a 25 percent stake in the DSM and provide technology and management advice as the exchange develops).

13. (SBU) The QIA's investments in the London Stock Exchange (Ref A) are also part of the government's attempts to gain expertise and cultivate partners as it develops its own capital markets. Moreover, the QIA has invested in several firms involved in Qatar's economic development, shoring up these firms from the deteriorating credit markets. For example, in February 2008, the QIA bought about two percent of Credit Suisse. The Swiss bank had become the first European bank to obtain a QFC license (in March 2006), and was one of three European banks willing to underwrite QIA's failed bid for British retailer J. Sainsbury. According to press reports, Credit Suisse is also advising QIA on how to offload its troubled UK health care investments.

14. (C) The QIA also has investment plans that dovetail with the vision of Sheikha Moza, the Amir's consort, to improve the educational system in Qatar. Specifically, Executive Board Member Dr. Hussein al-Abdulla told Emboffs the QIA plans to invest USD 200 million to establish a special company for education which would create "unique schools for the children of expatriates." Al-Abdulla opined that "K-12 education in Qatar is still no good," and schools established by the company would help attract the best in foreign expertise by providing top-notch education for children of these expatriates. Al-Abdulla also sees broader potential - for the first three years, the company will focus on the Qatari system but then expand to the region.

15. (C) The dramatic upturn in global food prices is also

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affecting QIA's strategy for future investments. Finance and Economy Minister and QIA Board Member Yousef Hussain Kamal told visiting Treasury Secretary Paulson on June 1 (Ref C) that he had recently traveled to Vietnam, Cambodia, Yemen, Sudan, Tajikistan, and elsewhere to look at agricultural investments for the Qatari market. He added that the GOQ hopes to encourage the development of technologies for growing food in conditions of limited soil and water. HBJ - who began his senior government service as Minister of Municipal Affairs and Agriculture in the early 1990s - is personally interested in food production technologies, and a recent Financial Times profile portrayed QIA's South Asian and East African ventures as part of a coordinated plan to secure food supplies via farm investment deals. Senior officials from Qatar and Sudan have exchanged several visits over the past year, and in mid-July the two governments announced an agreement to establish a joint holding company to focus on agricultural investment, food industry, and animal husbandry.

SWF Guidelines

16. (C) QIA officials remain cool to the IMF-proposed and U.S.-backed SWF guidelines (Refs C and D), although they have sent representatives to the recently-formed IMF working group and appear to accept the overall trend among fellow SWFs at minimum to discuss best practices. Minister Kamal and al-Abdulla have told U.S. officials on several occasions that they are wary of implanting such guidelines because they see them as tantamount to political interference in business decisions. Their usual rejoinder to explanations of the political utility of voluntary guidelines is to emphasize that receiving countries should welcome SWFs as responsible investors who will invest where they can make money. They have also told us that in Qatar's case investment decisions are taken for economic reasons, as Qatar's goal is to maximize total return on investment.

17. (C) Kamal told Secretary Paulson in June that the IMF-proposed rules are "not for everyone," and that they

don't necessarily benefit either the investors or the recipients of the investments. He singled out transparency requirements as a particular concern for the QIA, saying disclosing its asset allocation would be against GOQ regulations. Kamal added that if there are national security concerns, U.S. officials should "just tell" the GOQ which sectors or companies are closed to investment.

¶8. (C) More generally, GOQ officials are wary of protectionist sentiment in the United States and have a difficult time understanding how the proposed SWF guidelines could help alleviate the problem. The Amir told the visiting Mayor of Houston in April that he feared there would be "restrictions" on foreign investment in the U.S., though Qatar was still interested in investing more of its surplus there. Many of our interlocutors found the process of gaining CFIUS approval for the Golden Pass regasification facility in Texas in 2006 a painful experience, one that may dissuade them from such investments in the future.

Comment

¶9. (C) With plans on track to double Qatar's LNG output over the next few years, the fund should have no shortage of fresh capital to invest. Moreover, if the QIA continues its rapid growth and the GOQ is successful in developing local capital markets, Qatar will successfully transition its economy from one that is growth-based solely on commodity export earnings to one that provides a diverse stream of revenues from various economic sectors. The QIA's stewards seem to be coming around to the inevitable need for greater coordination between SWFs and investment recipient countries, but will likely continue to resist calls for greater transparency in their overall asset allocation.

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¶10. (U) Tripoli minimize considered.

RATNEY